



Fairfax County Internal Audit Office

Department of Finance
Business Process Audit
Final Report

February 2017

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Executive Summary

We performed a business process audit covering procurement and reconciliation within the Department of Finance (DOF). The audit included a review of procurement cards, FOCUS marketplace cards, purchase orders, non-purchase orders, and monthly reconciliations.

We found that the department had effective procedures and internal controls in place for the handling of purchasing functions, and transactions had adequate evidence of compliance with county policy. Reconciliations were independently performed and were completed in a timely manner. However, we noted one exception where compliance and controls needed to be strengthened. A duplicator requiring technical review was purchased on the agency procurement card, circumventing the technical review process.

Scope and Objectives

This audit was performed as part of our fiscal year 2017 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit objectives were to review the DOF's compliance with county policies for purchasing processes and financial reconciliation. We performed audit tests to determine internal controls were working as intended and transactions were reasonable and did not appear to be fraudulent.

The audit population included transactions from procurement cards, FOCUS marketplace cards, purchase orders, and non-purchase orders that occurred during the period of September 1, 2015, through August 31, 2016. For that period, the department's purchases were \$46,782 for procurement cards, \$19,002 for FOCUS marketplace, and \$30,640,824 for purchase orders and non-purchase order payments.

Methodology

Audit methodology included a review of the department's business process procedures with analysis of related internal controls. Our audit approach included an examination of expenditures, records and statements; interviews of appropriate employees; and a review of internal manuals and procedures. We evaluated the processes for compliance with county policies and procedures. Information was extracted from the FOCUS and PaymentNet systems for sampling and verification to source documentation during the audit.

Findings, Recommendations, and Management Response

1. Technical Review

A duplicator was purchased using DOF's procurement card without going through the proper technical review from the Department of Information Technology (DIT) Infrastructure.

Procedural Memorandum (PM) 12-04 states that: "Unless formally exempted by the responsible technical review agency, no agency may purchase an item or service requiring technical review without first completing the review process. For this reason items and service requiring technical review may not be purchased using a procurement card."

The purchase of technical equipment on the county procurement card circumvents the technical review process. Purchasing technical items on the p-card increases the risk of overpayment for goods, purchases not compatible with the county's systems or not compliant with the county's standards, and purchases from a vendor that does not offer adequate technical support.

Recommendation: We recommend DOF create purchase orders in FOCUS to procure equipment requiring technical review to ensure appropriate internal control procedures are not circumvented. DOF staff should review PM 12-04m, Technical Review Category Matrix, prior to making any purchases of technical equipment. If clarification is needed or questions arise regarding the procurement of technical equipment or software, the responsible technical review staff listed in PM 12-04m should be contacted. Additionally, if exemptions from technical review are granted by a technical review agency then documentation of the exemption should be maintained on file.

Management Response: Items or services requiring a technical review will be properly routed for review. Staff have been trained to ensure that all required steps are taken for future procurement activities.

Note: Management states that this recommendation has been implemented, however, IAO will follow up on the recommendation after February 28, 2017.